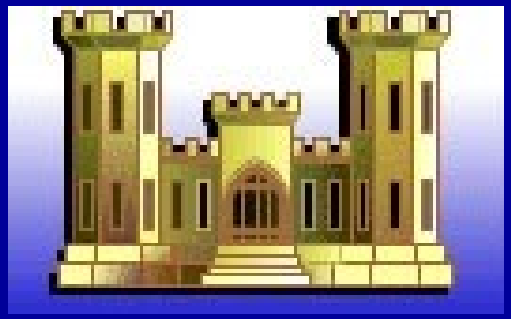
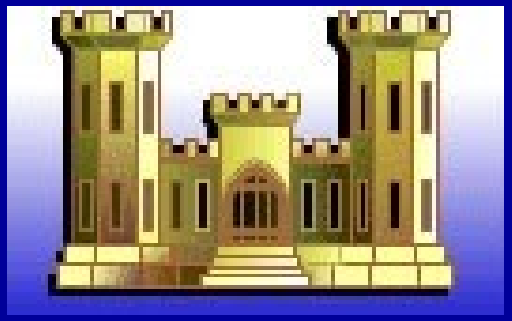


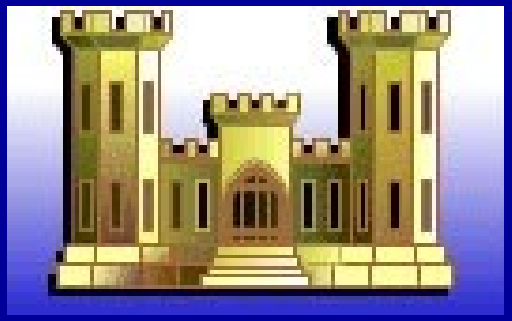
CREDIT TO POWER MARKETING AGENCIES

Jan Hotubbee, CESWT-PE-P



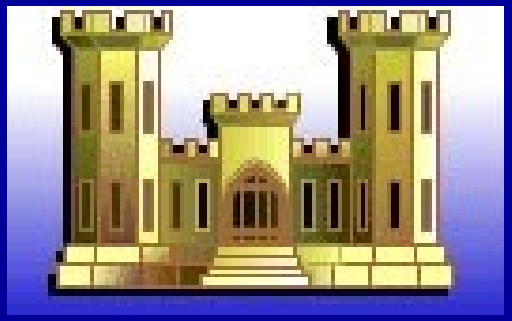
PMA Authority

- Section 5, Public Law 534
- Excess power delivered to DOE
- DOE markets power at lowest rate to consumer
- Rates include recovery to produce and transmit
- Amortize capital investment over a period of years



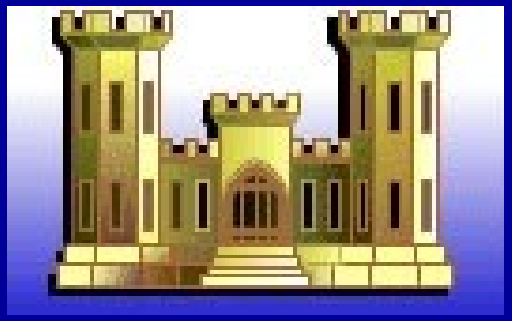
Water Supply Authority

- Public Law 85-500, WSA of 1958
- Assists states and local entities in developing water supplies in Federal projects
- Authorized Sec Army to modify projects to include water supply w/o further Congressional approval
- Water supply users pay for storage based on all purposes and share equitably in benefits of multi-purpose construction



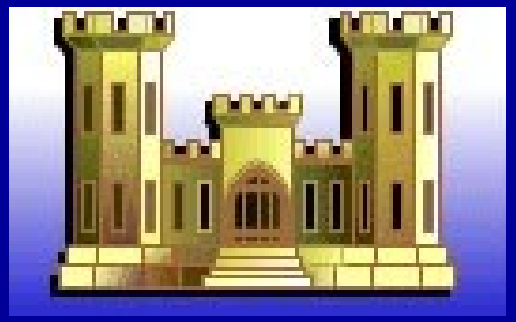
1944 vs 1958 Acts

- 1944 – hydropower is project purpose produced at Federal expense in return for power sales to repay that expense
- 1958 Act – authorizes Sec Army to supercede hydropower production in return for non-Federal payment



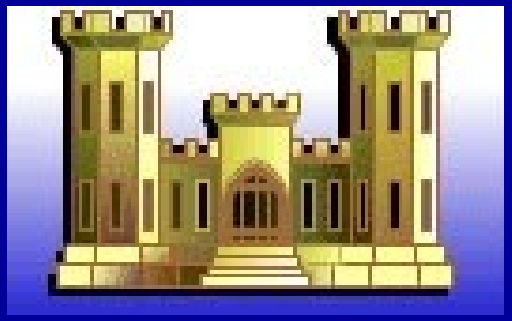
General Counsel Legal Opinion

- “…..opinion that the Secretary of the Army is authorized to provide such credits to Corps accounts to the extent that the credits reasonably reflect the economic consequences of the reallocation to the Federal government.”



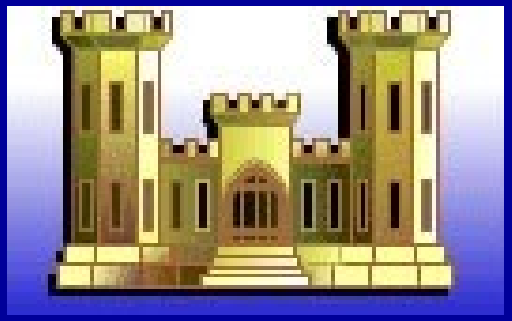
General Counsel Legal Opinion (continued)

- "The COE current practice of crediting the new water supply revenues as hydropower income up to the amounts of hydropower revenues foregone is one of perhaps many acceptable accounting methods."



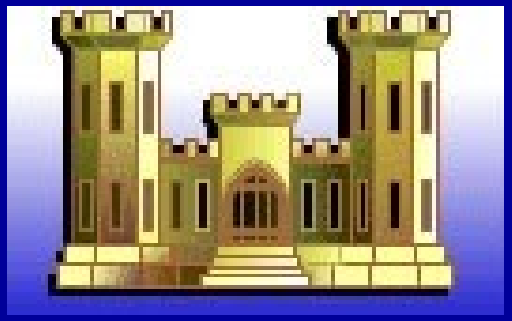
More General Counsel Legal Opinion

- This opinion is restricted to a COE project accounting response to the changed circumstance of hydropower and water supply that may occur due to reallocation. COE is not legally obliged or authorized to provide any funds to another government agency or non-Federal interest affected due to the reallocation.



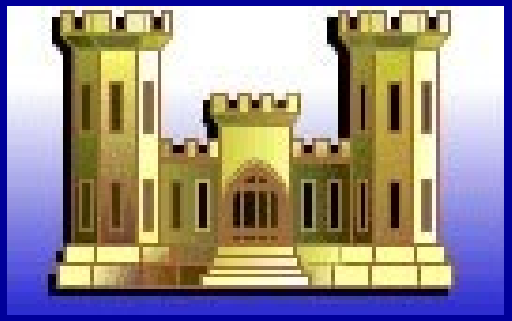
Crediting to PMA

- Repayment for hydropower revenues lost are based on:
- Benefits foregone
- Revenues foregone
- Replacement costs
- Updated cost of storage



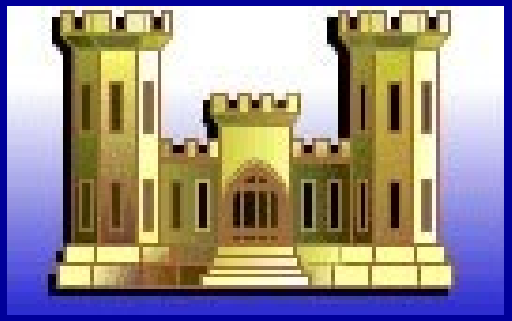
Crediting to PMA

- Reallocated water supply contracts have a 30-year repayment
- When annual water supply payments are collected, a portion of the payment (based on hydropower analysis provided by HAC) is credited to power
- The credits are reported to the PMA as a line item on the COE's



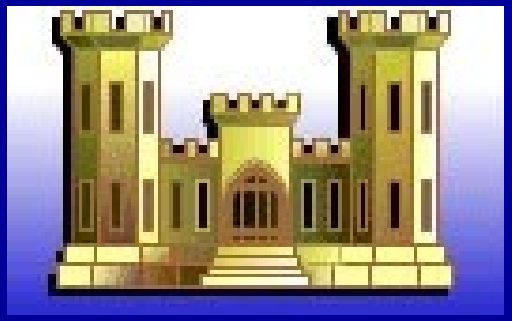
Crediting to PMA

- Work category purpose code linked to power has been created in CEFMS to collect hydropower revenues
- Credit must be broken down (P/I payments)
- When water supply payments end the only funds that might be used to credit PMA would be from joint-use O&M payment



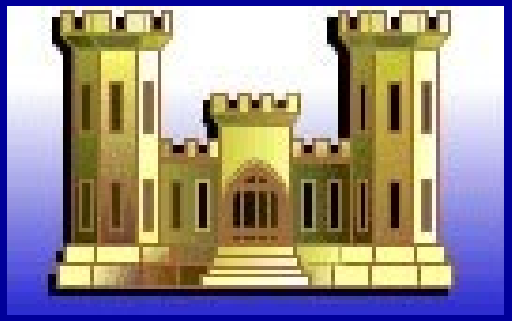
Crediting to PMA

- If water supply payment is made in lump sum:
  - Take repayment for hydropower credit and present value it using current interest rate
  - Make a one-time credit to PMA
  - Still must be broken down into P/I in CEFMS



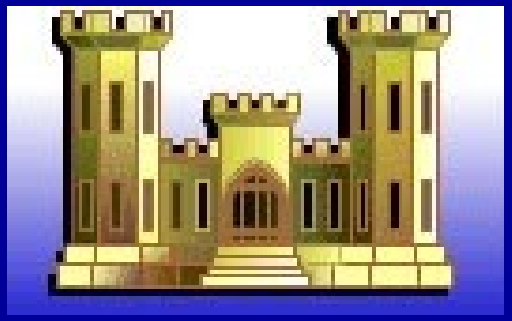
Other Factors that Affect Credit to PMA

- Hydropower units have been paid off – what capital investment is left to credit?
- Preference customer contracts are in place that could affect the amount of credit
- Special Letter of Agreement between Chief of Engineers and PMA



Conclusion

- Hydropower crediting appears to be a “gray” area to most districts (including Tulsa)
- Policy on hydropower crediting is broad and should be better defined
- RMO/F&A personnel should take a more active role in developing SOP on how to credit power accounts



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DISCUSSIONS & QUESTIONS?